

UNIT-II

PRODUCT DECISION

Contents to be covered in this topic

Classification

Product line and product mix decisions

Product life cycle

Product portfolio analysis

Product positioning

New product decisions

Product branding, packaging and labeling decisions

Product management in pharmaceutical industry

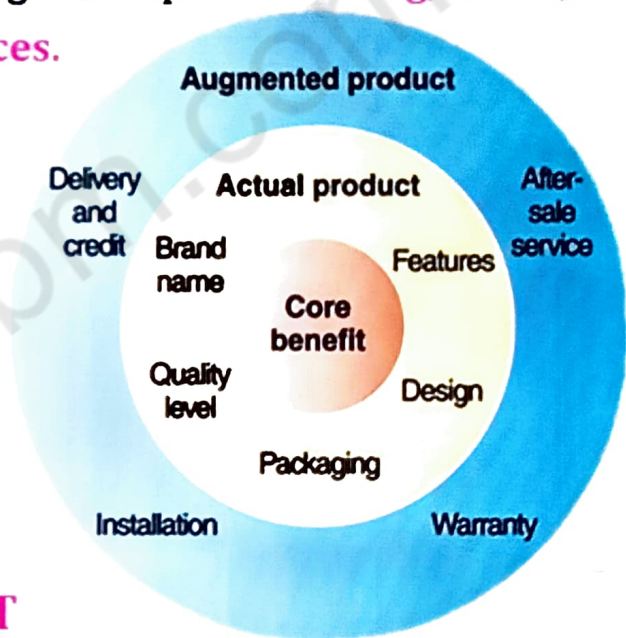
❖ INTRODUCTION

- Product can be defined as an **article or substance manufactured for sale** or anything that can be **offered to the market for attention, acquisition, use or consumption** that might satisfy the want or the need.
- Broadly defined products include; **physical objects, services, events, people, places, organizations, medicines**, ideas or mix of these entities.
- Services are the form of products that consist of the **activities, benefits or satisfactions offered for sale** that are **essentially intangible** and do not result in the ownership of anything. Examples: **Banking, hotel, tax preparation and home repair services.**



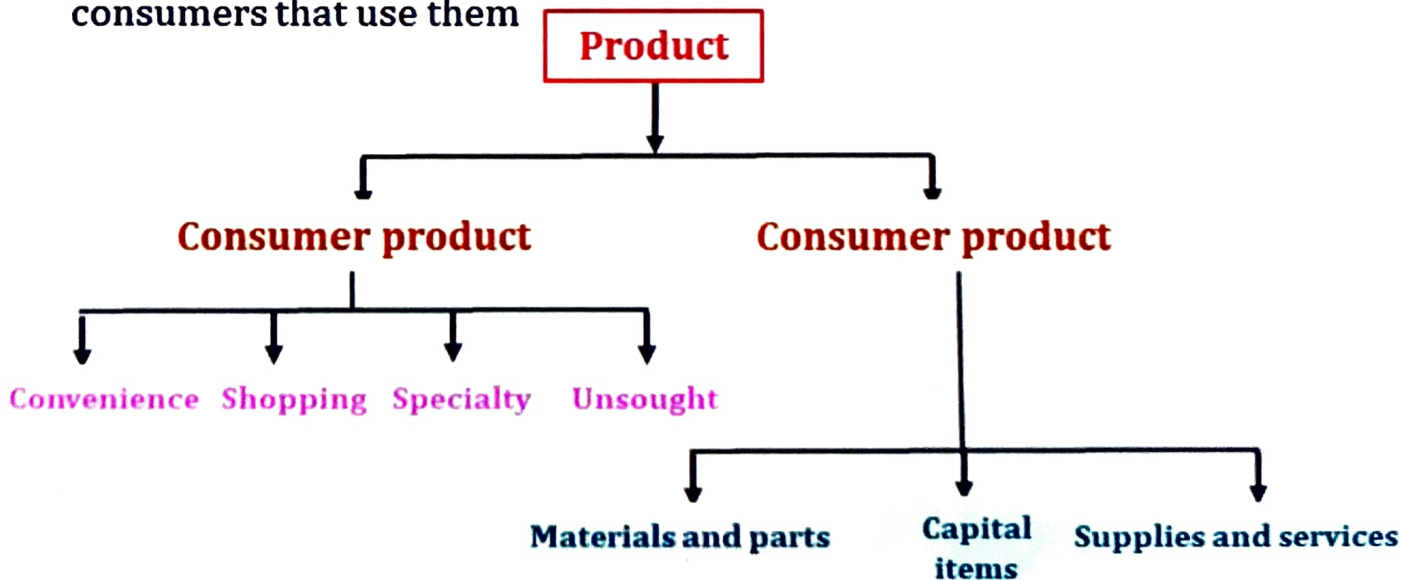
➤ Levels of Product:

- A product has three levels
- Core product
- Actual product
- Augmented product



❖ CLASSIFICATION OF PRODUCT

- Product and the services fall into **two broad classes** based on the type of consumers that use them



➤ Consumer products

These are the products bought by the consumer for final consumption.

Subdivided as follows:

1. Convenience Products: These are the consumer products that the consumer **usually buys frequently, immediately and with a minimum of comparison and buying effort.** These are the products of day to day use.



2. Shopping Products: These are the less frequently purchased consumer products and the **services that customers compare carefully on suitability, quality, price and style.** When buying shopping products and services, consumers spend much time and effort.

3. Specialty Products: These are the consumer products and services with **unique characteristics or brand identification** for which a significant group of buyers is willing to make a special purchase effort.



4. Unsought Products: These are the consumer products that the **consumer either does not know about or know about but does not normally think of buying.**

➤ Industrial products

- These are the products purchased for further **processing or for use in conducting a business.** The distinction between a consumer product and an industrial product is based on the **purpose for which it is brought.**
- There are **three groups** of industrial products and services:

1. Materials and parts

- Include; **raw materials** and **manufactured material** and **parts**. Manufactured materials and parts consist of **component materials** and **component parts**.



2. Capital items

- These are the industrial products that aid in the buyers production or operations including; **installations and accessory equipment**.
- Installations consist of major purchases such as; **buildings and fixed equipment**. Accessory equipment includes; **portable factory equipment and tools and office equipment**.



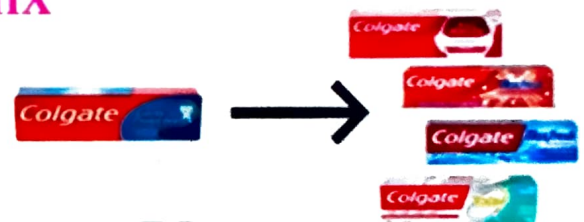
3. Supplies and Services

- Supplies include; **operating supplies and repair and maintenance items**.
- Business services include; **maintenance and repair services and business advisory services**.



❖ PRODUCT LINE AND PRODUCT MIX

- **Product line:** A product line is a **group of products** that are closely related because they **function and are used in a similar manner**.
- **Product mix:** A product mix consists of all the **product lines and items** that a **particular seller offers for sale**.



➤ Product mix

- Product mix is a **set of all products offered by a firm** in the market. It is also called **product assortment**. For example; **LG Company is selling different products in the market like mobiles, air conditioners, refrigerators, washing machines, etc.**
- This whole range of products offered by LG is called product mix. So, product mix refers to **composition of whole product lines that an organization offers to consumers in the market.**

There are four magnitude of product-mix:

- Width of Product Mix.
- Length of Product Mix
- Depth of Product Mix
- Consistency of Product Mix

Width of Product Mix: It refers to **total numbers of product lines offered by an organization**. For exam. LG is offering 6 different **product lines** (home appliance, mobiles, home entertainment, computers, air conditioner, business solutions) in the market.

Consistency of Product-Mix: Consistency related to product line in **terms of production, price and distribution, etc.** For example, Nestle has very consistent product lines because all products lines offer edible products and follows same distribution channel.

Length of Product-Mix: It refers to **overall number of products in a product line**. Under the category of **home appliances**, LG is offering washing machine, refrigerator, dishwasher, etc.

Depth of Product-Mix: If **different variants of one product are offered by one firm** in the market, it is called depth of product mix. Variants can be of any type like **size, colour, shape, fragrance, etc.**

Production-Mix Decisions: An organization is required to **bring changes in product mix to make it adaptable** according to the needs of consumer.

➤ Product line

- Product line refers to **all products that are related to each other, having similar characteristics** and are offered by a **single firm**.
- For example, **LG offers many models of washing machines** in the market but each washing machine comes with a different feature like; front loading machine, semi-automatic machine, fully automatic machine, top-loading, etc. **This is product line of LG Company for washing machine.**

❑ Product Line Decisions:

➔ Line stretching decisions:- Downward Stretching
Upward stretching
Two Way Stretching

➔ Line Filling Decisions

➔ Line Pruning Decisions:

➤ **Line Stretching Decisions:** Each product line of marketer covers an only a certain customer. It has in **three directions:**

Downward
Stretching

Downward stretching refers to **addition of a new product into existing product line** at a lesser price.

Upward
Stretching

When an organization adds a new product in the current product line, but at higher price than the existing one

Two-way
Stretching

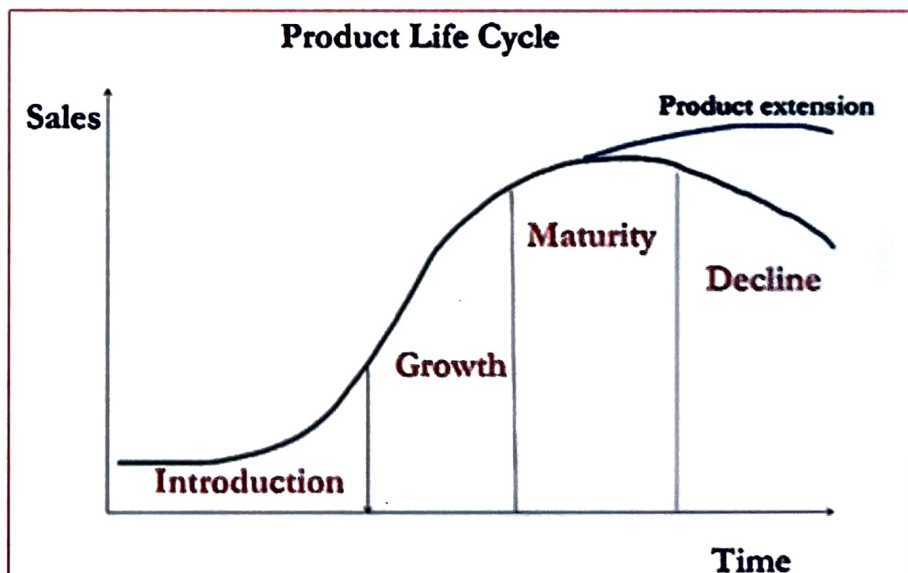
Addition of product in product line in both the directions. So, a low priced as well as a high-priced products are added at the same time in product line.

➤ **Line Filling Decisions:** It involves **adding a new product** in the available product line to **face competition and increase consumer base**. Under product line filling, price of the new product is normally same.

➤ **Line Pruning Decisions:** Line pruning decisions refer to **removal of unprofitable product** from the product line.

❖ PRODUCT LIFE CYCLE

- Each and every pharmaceutical product has a life span. This span begins from the time when an ingredient is mixed with other ingredients to make a mixture according to a given formula.
- This is why each pharmaceutical product bears the **date of expiry**. It is not to say that a **product dies after the expiration date**; however the potency of product's ingredients begins to decline. **Mentioning the date of expiry in a pharmaceutical product is mandatory**. The life of a product begins when it comes out of the assembly line till it is consumed by the patient.
- When a product idea is commercialized by a company, **the product enters the market and competes with the existing products** to secure maximum share of consumer income.
- It brings in sales and generates profits.
- Product life cycle is defined as, **"An attempt to recognize distinct stages in the sales history of the product"** and **"A generalized model of sales and profit trends for a product class or category over a period of time."**
- **It has three key elements:**
 - a) Products move through the **cycle of introduction, growth, maturity, saturation and decline** at different speeds.
 - b) Both the **sales volume and unit profits rise correspondingly** till the growth stage and fall correspondingly after maturity stage.
 - c) The functional emphasis required for **successful product management changes from stage to stage** on account of changes in the economics of profitability.



Stages of Product Life Cycle:

➤ Introduction:

- **First stage** in the life of a product.
- The product opens up an **entirely new market, replaces the existing product** or broadens the range of the existing product.

This stage is characterized by:

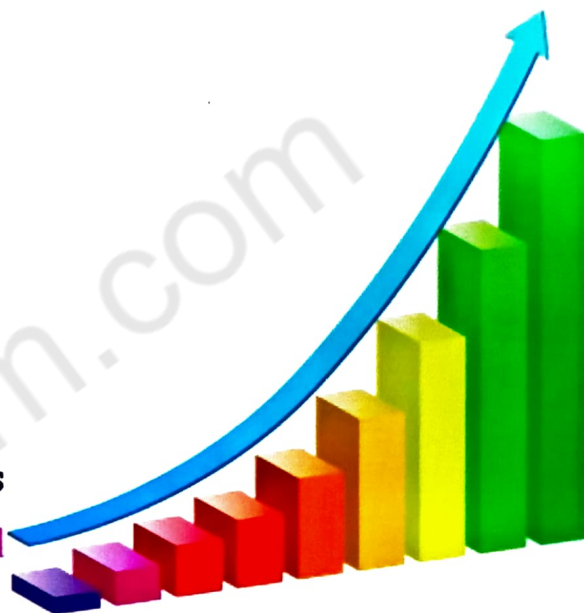
- ✓ Slow rise in sales and profit margins.
- ✓ Few direct competitors
- ✓ High income group buyers.
- ✓ Frequent product modifications
- ✓ High production and marketing costs.
- ✓ Narrow product line.
- ✓ Limited distribution.
- ✓ Primary demand cultivation.

➤ Growth:

- In this stage, the product achieves **considerable and widespread approval** in the market.
- Sales increase sharply and at **an increasing rate**.
- **Number of competitors increase** considerably and there is a major product improvement.
- Although the **sales contribution is from the high income group buyers**, now middle-income group buyers also contribute to the sales.
- There is a scramble for distribution outlets and dealers adopt multiple product line policy.
- Although prices reduce in this stage, the **profit margin continues to rise**.
- There is **selective demand cultivation**.

➤ Maturity

- In this stage, the maturity of product is reflected in terms of **its capacity to face the competition**.
- Sales rise at a decreasing rate, **profit margins decline**.



- The product covers the mass market.
- Further lowering of product price and shrinkage in dealer margins and profits.
- Market segmentation, trade discounts and institutional brand loyalty important-marketing strategy of the company.
- Competition becomes cut-throat.

➤ **Saturation:**

- In this stage, the market is saturated with the product and is dominated by the replacement sale.
- It is fully matured.
- The rise and fall of sale is dependent on the basic economic factors- demand and supply.
- Profit margins are low but prices rise.

➤ **Decline**

- In this stage, the product loses its distinctiveness and dies out in terms of both sale and profit margins.
- The decline in sale is permanent and product travels back to the core markets. Product line gets narrow and primary demand cultivation again becomes important.
- Prices reduce initially but subsequently stabilize and then increase. As a result, profit opportunities increase in the latter phase of this stage.
- Those who survive this stage become product specialists.

❖ **PRODUCT POSITIONING**

- Product positioning is an important aspect of a marketing plan. It is the process use to find out how to best advertise their product's specifications to their target consumers based on consumer requirements, pressures of competition, existing channels of communication and carefully created important messages.
- Product positioning is providing information that where your product is suitable in the market.

❖ Importance of Positioning:

- Product positioning is a vital element in the **process of buying**. It is a capability of a company to **effect market perception** by its products.
- Information about the **product affects the consumers**.
- **Clear, brief, significant product positioning** also helps to promote product without advertising.

❖ Positioning Characteristics:

The purpose of product positioning is to maintain your product on top of choice of customers.

Objectives for successful product positioning:

- ✓ **The product should be differentiated from the competitions.**
- ✓ **The product should fulfil important criteria of customer**
- ✓ **Articulate important product (or company) description.**

❖ NEW PRODUCT DECISIONS

New product decisions provide a clear path to the business. New product development is a step by step process. A complete idea is required behind new product.



1. **Ideal Generation:** The development of a product starts with the **concept and idea**. The remaining process is depending on that idea.
2. **Screening of Idea:** This step is crucial to **ensure that unsuitable ideas**, for whatever reason, are rejected as soon as possible. **Ideas need to be considered objectively, ideally by a group or committee.**
3. **Concept Development and Testing:** After having an idea, next is the **screening stage**. The idea should now **convert into concept**. It has depth information which can be visualizing by the consumer.
4. **Analysis of business:** After finalization of concept, a **business case needs to be kept together to consider** whether the new service/product will be gainful.

❖ Functions of Branding:

- Brands are designed to **differentiate product from other competitors**.
- Brands are like a **message to communicate with target market** about the product and its usage.
- Branded goods are **considered more reliable as they are labelled**; having name and logo of company, date of manufacturing, etc.
- On the other hand, **non-branded products are not very reliable because of details of company**, date of manufacturing and other details related to product.
- **Individuality**- Branding creates an **individual place of the product in the market**. For example, Johnson & Johnson has created an individual identity in the category of baby care products.
- **Customer Retention**- Branding helps in creating **loyal customers and in the long run it results in customers' retention**. Loyal customers only want good quality products.
- **Quality Assurance**- Product Decision Branded products are normally seen as **good quality products by customers**. They come with proper packaging to avoid any spoilage or defect.
- **Expands Market**- **Due to popularity**, it is very easy for branded products to expand market and customer
- **Products and Brands**: Product is like raw material on other hand, **brand provides it a final touch**. According to Kotler, a product is anything which can be presented to a market for satisfaction and fulfil the needs and wants.

Criteria for selecting Brand Fundamentals: goods and idea Following are the criteria:

1. **Memorable:**(a) Easily known (b) Easily recalled
2. **Significant:** (a) Expressive (b) Influential
3. **Likable:** (a) Interesting and Fun (b) Aesthetically attractive
4. **Transferable:** (a) Within and across product classes (b) Across geography
5. **Adjustable:** (a) Updatable (b) Flexible

❑ Packaging

- Packaging is a **part of product decision** and related with design and **production of the container and packaging of the product.**
- An effective packaging can **increase the returns on the investment** and also boost in turnover of sales and provide better price.
- Product packaging has **lots of forms, from boxes and bags to bottles** and tins. The most appropriate packaging for the product is depending on that **what type of product are selling and what the way of transportation and storage is.**
- Proper packaging should support the **brand image of an organization.** Various colour, logos, shape, illustrations or slogans can be used for packaging.

Packaging may be defined as "All products made of any materials of any nature to be used for the safety, containment, handling, delivery and preservation of goods from the manufacturer to the customer or user."

The functions of packaging:

1. **Protection and containment**, related to the status of goods on entry to the consumer.
2. Distribution and transportation are related with **effectiveness in handling at all phases related to marketing.**
3. Proper labelling for **identification and product description.**
4. Disposal concern with the **positive or negative rest-value of the packaging after its component has been used.**



Management of the company should aware about the several specifications of the product packaging. The key packaging components are as follows:

1. **Materials of packaging**
2. **Size of package**
3. **Shape of package**
4. **Colour, texture and graphic art of package**

□ Labelling

- Labelling is also an important **division of marketing** because packaging decision making involves the consideration of the labelling needs.
- In international deal, **many countries insist that labelling should be done in the absence of such a legal condition.** Labelling should have **manufacturing date, date of expiry or best possible storage time for good**, storage conditions, etc. The label should guide the customer.



❖ PRODUCT MANAGEMENT IN PHARMACEUTICAL INDUSTRY

- At present among science-based industries of India, pharmaceutical industry is at the top with **good capabilities in the complex field of drug manufacture and technology.**
- It has big role in the growth of the country. India's pharmaceutical industry is extremely fragmented and has an **ample series about 100,000 drugs** (These have antibiotics, antibacterial, vitamins, cardio-vascular drugs, etc.).
- Almost 80% of the manufactures have sales below 100 crores. **The industry existing in top ten is control approximately 31% market.**
- Product management is basically a **function of life cycle of the organization** that works in the direction to bring a product to the market.
- Product management has two basic **sub- processes-product marketing and product development.**
- The management of pharmaceutical product is a **complex and challenging field** that requires to be organized by the pharmaceutical firms.
- It includes important areas, such as **product planning, marketing, strategy and innovative insights.**
- The role of the manager of pharmaceutical product is vital and he/she should have the skill which can recognize the gap in the structure for better management of product.



Core Knowledge Areas:

- **Leadership and Vision:** Pharmaceutical product proprietor or manager should have both **leadership and vision skills** for success of a product or company.
- **Life cycle management of a product:** The product manager should have a clear understanding about **life cycle of the product to increase the benefits.**
- **Plan about product and market research:** The product manager should have **depth knowledge of market and investigate the data** in order to form a better strategy about the product.
- **Roadmap of a product:** A better leader should have **capability of making a quality roadmap for product.**
- **Sales and Support:** The product manager should be **smart to choose the right sales channels.** The sale is the key player in the success of the product.
- **Process:** The project manager should have a **good understanding and idea about new products**